

STEP 3: Set Goals

Performance goals drive energy management activities and promote continuous improvement. Setting clear and measurable goals is critical for understanding intended results, developing effective strategies, and reaping financial gains.

Well-stated goals guide daily decision-making and are the basis for tracking and measuring progress. Communicating and posting goals can motivate staff to support energy management efforts throughout the organization.

The Energy Director in conjunction with the Energy Team typically develops goals.

To develop effective performance goals:

- 3.1 **Determine scope** — Identify organizational and time parameters for goals.
- 3.2 **Estimate potential for improvement** — Review baselines, benchmark to determine the potential and order of upgrades, and conduct technical assessments and audits.
- 3.3 **Establish goals** — Create and express clear, measurable goals, with target dates, for the entire organization, facilities, and other units.

Setting goals helps the Energy Director:

- ✓ Set the tone for improvement throughout the organization
- ✓ Measure the success of the energy management program
- ✓ Help the Energy Team to identify progress and setbacks at a facility level
- ✓ Foster ownership of energy management, create a sense of purpose, and motivate staff
- ✓ Demonstrate commitment to reducing environmental impacts
- ✓ Create schedules for upgrade activities and identify milestones

Suggestion

When setting goals, be sure to use the Energy Team's wide range of knowledge to help set aggressive, yet realistic goals. Have management review your goals to enlist their feedback and support.

3.1: Determine Scope

The scope of performance goals can include multiple levels of the organization as well as various time periods for completion of specific goals.

Organizational Level

The level at which performance goals will be set depends on the nature of the organization and how it uses energy. Common organizational levels for setting goals include:

- **Organization-wide** - Setting goals at this level provides a big picture of how the entire organization wants to improve. Organization-wide goals provide a framework for communicating the success of energy management both internal and external audiences.
- **Facility** - At this level, goals may vary to take into account the performance of specific facilities based on benchmarking results or an energy audit. Facility level goals are designed to help the broader organization to meet its goals.
- **Process or equipment** - Some organizations may find it useful to establish goals for specific process lines and equipment when energy use is concentrated in specific areas.

Time Periods

Establishing appropriate and realistic target dates for goals ensures that they are meaningful and promote change. A combination of short and long term goals can be effective.

- **Short-term goals** - Annual goals provide the necessary markers for tracking and reporting progress on a regular and on-going basis.
- **Long-term goals** - Long-term goals are usually organization-specific and may be shaped by:
 - Internal rates of return
 - Internal planning horizons and guidelines
 - Organizational strategic plans
 - Commitments to voluntary environmental initiatives

3.2: Estimate Potential for Improvement

To set goals, it is important to have an informed idea of what level of performance is achievable and the amount of resources needed.

There are a variety of ways to determine potential. The method you choose will depend on a number of factors, such as: available resources, time, the nature of energy use at your facilities, and how the energy program is organized.

Methods used by leading energy programs include:

- **Reviewing performance data** - Assessing performance and setting baselines should help to identify differences in energy use between similar facilities, giving a limited, point-in-time, view of your potential improvement. Performance data spanning a longer period of time will be more useful for understanding improvement potential.
- **Benchmarking** - Benchmarking provides a yard stick for evaluating opportunity when enough data is available to show trends in energy use. Consider using **Portfolio Manager** or the ENERGY STAR **Energy Performance Indicators (EPIs)** to rate the current energy performance of your facility against similar facilities.
- **Evaluating past projects and best practices** - Evaluate past projects and best practices at higher-performing facilities to determine the feasibility of transferring these practices to other parts of the organization.
- **Reviewing technical assessments and audits** - Identify opportunities to reduce energy use identified during technical assessments and audits of poorer performing facilities to serve as a strong basis for quantifying the potential for improvement.
- **Comparing goals of similar organizations** - Reviewing performance goals of other organizations can help to guide and inform you of the potential for your own organization.
- **Linking to organization-wide strategic goals** - Strategic as well as operational goals, such as cost reductions, can also help inform the goal setting process.

3.3: Establish Goals

Once the potential for improvement has been estimated, goals can be established at the appropriate organizational levels. Energy performance goals should be formally established and recognized by senior management as a mission for the whole organization.

Estimating potential for improvement should provide you with a starting point for what is possible. However, some organizations set their final energy performance goals based on organizational factors other than what is technically feasible. Such factors will affect how energy performance goals are expressed.

Common ways for expressing goals include:

- **Defined reduction** - Goals are presented in terms of a specific quantity or percentage decrease in energy use, such as a 10 percent reduction or a decrease of 300 million Btus.
- **Best-in-class** - This goal aims for a certain level of performance compared to an established benchmark.
- **Efficiency improvement** - Goals are expressed as a function of reducing the energy intensity of a specific performance indicator, such as 2 Btus per unit of product.
- **Environmental Improvement** - This goal translates energy savings into pollution prevention or reduction goals.

Additionally, some organizations may find it useful to establish:

- **Threshold goals** - The minimum acceptable level of performance.
- **Stretch goals** - Levels beyond the minimum or targets that are used to create an incentive for greater achievement.